

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 7386**

**BILL NUMBER:** HB 1604

**NOTE PREPARED:** Feb 19, 2009

**BILL AMENDED:** Feb 17, 2009

**SUBJECT:** Local taxes.

**FIRST AUTHOR:** Rep. GiaQuinta

**FIRST SPONSOR:**

**BILL STATUS:** 2<sup>nd</sup> Reading - 1<sup>st</sup> House

**FUNDS AFFECTED:**     **GENERAL**  
                              **DEDICATED**  
                              **FEDERAL**

**IMPACT:** Local

**Summary of Legislation:** (Amended) *Fort Wayne-Allen County Convention and Tourism Authority*: This bill changes the name of the Fort Wayne-Allen County Convention and Tourism Authority to the Allen County-Fort Wayne Capital Improvement Board of Managers. It transfers any excess Allen County Food and Beverage Tax revenue that is not needed to pay obligations (bond, loan, or lease) in existence on January 1, 2009, to the Allen County-Fort Wayne Capital Improvement Board. It provides that the board must deposit the amount transferred into a reserve account, where it must be held for 12 months. It allows the board to transfer interest on the reserve account and amounts on deposit for more than 12 months to the board's Capital Improvement Fund. It provides that, after June 30, 2009, the board must approve any Food and Beverage Tax pledge for bonds, loans, or leases. It requires the executive director of the Allen County Memorial Coliseum to file an annual report of operations with the Capital Improvement Board on or before December 31 each year. The bill also requires the executive manager of the Capital Improvement Board to file an annual report of operations with the Capital Improvement Board on or before December 31 each year. It repeals superseded provisions of the Allen County Food and Beverage Tax.

*Vanderburgh County Innkeeper's Tax*: The bill provides that the part of the Vanderburgh County Innkeeper's Tax rate that is dedicated to pay the operating expenses of a convention center is reduced from 2% to 1% after December 31, 2014 (rather than after December 31, 2009, under current law). It provides for a corresponding delay in the increase in the part of the Vanderburgh County Innkeeper's Tax rate that is deposited in the tourism Capital Improvement Fund.

*Vanderburgh County Food and Beverage Tax*: The bill specifies that if the Vanderburgh County Council adopts a resolution providing that the Vanderburgh County Food and Beverage Tax (VCFBT) should be continued to finance the acquisition, construction, and equipping of an arena and other facilities that serve

or support the arena activities, any excess VCFBT revenue that is not needed to pay any bonds, leases, or other obligations for a convention center shall be transferred to the fiscal officer of the largest municipality in the county. It requires the municipal fiscal officer to deposit the excess VCFBT revenue in a municipal arena fund. It provides that money in the municipal arena fund shall be used by the largest municipality in the county for financing the acquisition, construction, and equipping of an arena and other facilities that serve or support the arena activities. It specifies that if the Vanderburgh County Council adopts a resolution providing that the VCFBT should be continued to finance the acquisition, construction, and equipping of an arena and other facilities that serve or support the arena activities, the VCFBT: (1) does not terminate after the last of the bonds issued to finance improvements to a county auditorium or auditorium renovations, and the last of any bonds issued to refund those bonds, have been completely paid; and (2) continues until the last of the bonds issued to finance the acquisition, construction, and equipping of the arena and other facilities that serve or support the arena activities, and the last of any bonds issued to refund those bonds, have been completely paid. The bill also repeals provisions specifying that the amounts received from the VCFBT shall be used to pay bonds issued to finance the construction of an airport terminal.

**Effective Date:** July 1, 2009.

**Explanation of State Expenditures:**

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** *Fort Wayne-Allen County Convention and Tourism Authority:* This bill changes the name of the Fort Wayne-Allen County Convention and Tourism Authority to the Allen County-Fort Wayne Capital Improvement Board of Managers. The bill also requires the executive manager of the Capital Improvement Board to file an annual report of operations.

(Revised) *Use of Vanderburgh County Food and Beverage Tax:* If the Vanderburgh County fiscal body were to adopt a resolution to continue the VCFBT for an arena project, the County treasurer would determine if any tax revenue were left over from bonds in existence on January 1, 2009 or earlier. If revenue was not committed to those prior bonds, the treasurer would transfer the excess revenue to the City of Evansville Controller. The city controller would place VCFBT revenue into the municipal arena fund (MAF). If the tax were continued for the arena, the City of Evansville would be able to issue bonds or enter into leases for the project. These bonds could not exceed a term of 30 years.

If the county treasurer were to certify to the Treasurer of State that all bonds for improvements on the county auditorium had been paid in full, amounts received from the tax from the Treasurer of State would be placed into the MAF.

The City of Evansville could also issue bonds in lieu of arena bonding for any special taxing district, agency, department, instrumentality, or law under which bonds may be issued, leases entered, and obligations incurred. Bonds for these purposes would have a term ending no later than 30 years after the first February 1 following the estimated date of the arena completion.

**Explanation of Local Revenues:** *Allen County Food and Beverage Tax Reserve Account:* This bill transfers any excess Allen County Food and Beverage Tax that is not needed to pay obligations (bond, loan, or lease) to the Allen County-Fort Wayne Capital Improvement Board. The board will then deposit these funds into a reserve account. Funds in the reserve account may not be withdrawn or transferred during the year they are received, except to make transfers to the county for obligations. The bill also enables the Board to

transfer interest from the reserve account and amounts on deposit for more than 12 months to the Capital Improvement Fund. Beginning in FY 2010, the Board must approve any Food and Beverage Tax pledge for bonds, loans, or leases. Revenue from the Food and Beverage Tax totaled about \$5.5 M in FY 2008.

(Revised) *Vanderburgh County Innkeeper's Tax*: This provision would delay, for five years, the revenue equivalent to a 1% rate that the tourism capital improvement fund was scheduled to receive after December 31, 2009. The bill would also delay the reduction (from a 2% rate to a 1% rate) of the amount deposited into the Convention Center Operating Fund (CCOF). Under current law, the amount of innkeeper's revenue deposited in the CCOF would be reduced by 1% after December 31, 2009. Under the bill, the reduction would be postponed until after December 31, 2014.

(Revised) *Use of Vanderburgh County Food and Beverage Tax*: Revenue from the VCFBT would continue to be collected if the conditions specified in the bill were fulfilled. VCFBT revenue is currently paying for bonds to cover costs of renovation and improvements to the county auditorium. The following table illustrates a recent collection history of the tax.

Vanderburgh County Food & Beverage Tax Revenues	
Fiscal Year	Tax Revenue
FY 2008	\$3.7 M
FY 2007	\$3.6 M
FY 2006	\$3.6 M
FY 2005	\$3.3 M
FY 2004	\$3.1 M
Five-Year Average	\$3.5 M

(Revised) *Background Information - Vanderburgh County Food and Beverage Tax*: VCFBT revenues are currently being used to pay for bonding for the improvements to the county auditorium (renamed the Centre), with approximately \$23.735 M remaining in principal payments. The current debt service schedule for the Centre indicates payment will take nine and one-half additional state fiscal years to complete. The annual bond payment is approximate to the average revenue from the tax over the last five state fiscal years.

*Innkeeper's Tax*: Vanderburgh County collected \$3,263,434 in innkeeper's taxes during FY 2008. The current tax rate is 8%. A 1 percent rate would equate to approximately \$408,000 of FY 2008 revenue.

**State Agencies Affected:** DOR; Treasurer of State.

**Local Agencies Affected:** Allen County; City of Fort Wayne; Fort Wayne-Allen County Convention and Tourism Authority; Vanderburgh County, City of Evansville.

**Information Sources:** *Indiana Handbook of Taxes, Revenues, and Appropriations*; City of Evansville

Controller's Office, Indiana Economic Digest: [www.indianaeconomicdigest.net](http://www.indianaeconomicdigest.net).

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